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COUNTRY AND REGIONAL DEVELOPMENTS

At A Glance...

OECD

Ministers at the 1997 OECD Ministerial meeting on May 26 and 27 endorsed a Revised Recommendation on Combating Bribery in International Business Transactions as the meeting's principle outcome. Negotiations on a binding convention in this area are to be concluded by the end of 1997 and enacted in 1998, along with additional national legislative proposals. Negotiations on a Multilateral Agreement on Investment were extended until the 1998 Ministerial meeting. Poland and Korea attended the ministerial for the first time this year as members.

WTO

EU Trade Commissioner Sir Leon Brittan informed the United States in June 1997 that Europe will seek consultations—the first stage of the WTO dispute settlement mechanism—regarding its complaint about a law enacted by the State of Massachusetts. The Massachusetts law, which entered into force in September 1996, establishes a selective contracting mechanism for statewide procurement which puts at a disadvantage in the selection process any company that does business in Burma (Myanmar); 39 U.S. and 155 foreign companies were initially identified as warranting this discriminatory treatment. On May 20, 1997, President Clinton issued an Executive Order banning any new investment in Burma by U.S. citizens. President Clinton signed a law in September 1996 which, among other things, sets forth U.S. policy toward Burma to prohibit most bilateral assistance, require the United States to vote against any loan by multilateral institutions such as the IMF and the World Bank, and deny visas to any Burmese government official except as required by treaty or diplomatic obligations.

Mexico

The Government of Mexico recently revealed its 3-year "National Plan for Financing Development," aimed at boosting economic growth from the current 4.5 percent to 5.6 percent by the year 2000. An important element in the plan is increasing domestic savings and reducing Mexico's reliance on foreign capital. While the program generally met with acceptance, many critics have pointed out that the high unemployment and low standards of living in many Mexican regions may impede the boosting of internal savings.

EU

On June 13, 1997, the United States and European Union announced agreement on a package of mutual recognition agreements (MRAs), which were formally initialled at the June 1997 Denver Summit. The MRAs cover six sectors: telecommunications terminal equipment, medical devices, electromagnetic compatibility, electrical safety, recreational craft, and pharmaceuticals. The MRA will eventually permit a product that has been tested and certified as meeting required standards in one country to be sold without further approval in another country. These agreements will result in significant cost savings for U.S. manufacturers that export to the EU (and vice versa).

Hong Kong

Hong Kong acceded the WTO Government Procurement Agreement (GPA) in June. Under the agreement, which applies only to the subset of WTO members that have joined the GPA, signatories must follow open, nondiscriminatory, and transparent procedures for government procure-

ment of goods and services. Despite its July 1, 1997 reversion to China, Hong Kong's status as a separate customs territory, including its WTO membership, is guaranteed for at least 50 years by the Basic Law of Hong Kong Special Administrative Region.

Russia

The June 1997 Denver Summit of the Eight (the G-7 members plus Russia) marked a new phase in integrating Russia into the global economic system. The Summit Communiqué expressed support for early Russian accession to the WTO as well as support for Russian accession to the OECD. Meanwhile, according to forecasts recently released by the Russian Government, the Russian economy is expected to contract by 2 percent during 1997 versus a 6 percent decline in 1996.

Africa

Plans to create a West African customs union by January 1, 1998 remain on track although, with just six months to go, some key issues remain unresolved. The West African Economic and Monetary Union (WAE-MU) was established in 1994 comprising the countries of Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal, and Togo. Phased tariff reductions on trade among the seven countries began July 1, 1996; all tariff and nontariff barriers on intraregional trade are scheduled to be removed by the end of 1997. However, plans have yet to be finalized for a common external tariff on trade with nonmembers because the smaller economies remain concerned that benefits of a WAEMU single market will accrue primarily to the larger and relatively more industrialized Côte d'Ivoire and Senegal. □

INTERNATIONAL TRADE DEVELOPMENTS

Japanese Harbor Workers Resume Sunday Work

In early June, Japanese port workers resumed work on Sundays at six major Japanese ports. However, they reportedly will not work on the same regular basis on weekdays that the United States has requested in its ongoing dispute with Japan over harbor services. There had been some question about whether Japan would be able to implement agreed-upon changes with regard to labor contract practices. On March 13, 1997, in response to Japanese restrictions and requirements on the use of its ports, the Federal Maritime Commission (FMC) had issued a ruling that would have imposed \$100,000-per-voyage fees on liner vessels operated by Japanese carriers calling on United States ports, effective April 14, 1997. The proposed sanctions were met with a strong response by Japanese carriers. On April 13, 1997, following a tentative settlement between the United States and Japan, the sanctions were suspended by the FMC until September 4, 1997.

Background

On February 26, 1997, the FMC, in a final ruling, imposed a fee of \$100,000, each time a container-carrying liner vessel owned or operated by a Japanese carrier enters a U.S. port from abroad. In issuing its ruling, the FMC cited unfavorable conditions in the foreign oceanborne trade between the United States and Japan, including restrictions on and requirements for use of Japanese ports. The sanctions were to become effective on April 14, 1997. In its ruling, the FMC noted that it has the authority to impose per-voyage fees of up to \$1,000,000 and that it could increase the fees on Japanese vessels if the issues that it had identified (discussed below) were not addressed in a timely manner. The FMC stated that the fee would also be increased upon a finding that the Government of Japan, the Japan Harbor Transportation Association (JHTA) or related bodies have retaliated

against U.S. carriers. The FMC actions involve long-standing concerns of U.S. shipping carriers.

On September 12, 1995, the FMC issued information demand orders regarding restrictions and requirements for the use of port and terminal facilities in Japan. The issues of concern that are described below included: (1) the "prior consultation" system, involving mandatory discussions and operational approvals involving port and terminal management, unions, and ocean carriers serving Japan; (2) restrictions on the operation of Japanese ports serving Japan; (3) requirements that all containerized cargo exported from Japan be weighed and measured by harbor workers, regardless of commercial necessity; and (4) the disposition of the Japanese Harbor Management Fund. The Commission noted that these practices could result in conditions unfavorable to shipping in the United States/Japan trade and may constitute adverse conditions affecting U.S. carriers that do not exist for Japanese carriers in the United States. A brief summary of these issues follows:

Prior consultation system: The prior consultation system is administered by the JHTA, an association of terminal operators, stevedores (longshoremen) and sworn measurers that excludes foreigners. Under the prior consultation system, shipping lines must consult with the JHTA for virtually all operational matters involving ports or labor, including changes in berths, routes, schedules, vessels, changes in vessel technology, assignment of stevedoring contractor or terminal operator; requests for work on Sunday, and changes in mandatory weighing and measuring arrangements. The Ministry of Transport, which has direct authority over harbor services, reportedly provides administrative guidance regarding the conduct of the prior consultation system and, according to the FMC, allows the JHTA to "wield unchecked authority through the prior consultation process. . . ."

The Chairman of the JHTA has the authority to approve requests, require changes or impose conditions on any requests from carriers. Pre-prior consultation meetings are held where the actual decisions regarding requests for changes are made by JHTA and union

officials. U.S. carriers have cited concerns about the lack of transparency in the JHTA decision-making process (including absence of written rules, reasons for decisions or records) and antitrust concerns regarding allocation of work among JHTA member companies.¹ According to respondents to the FMC's information demand order, domestic carriers feel obliged to participate in the prior consultation process or risk retaliation in the form of work stoppages or labor disruptions because of strong ties between the JHTA and Japanese labor unions.

In its information demand orders, the FMC noted that the prior consultation was the most serious issue raised because it is "central to the dominance of the harbor services market in Japan, as it is the mechanism by which JHTA exercises control over the activities of individual carriers and stevedoring companies." It noted that, "By serving as intermediary in all negotiations and requiring, on threat of labor disruption, that carriers submit virtually all planned operational changes for approval, JHTA is able to assign and allocate work among its member companies. This process is used to eliminate competition among terminal operators and stevedores . . ."

Port restrictions: The Ministry of Transport has authority over harbor services, including the issue of licenses. No new licenses have been issued by the Ministry of Transport during the past 10 years. Although foreign firms are permitted to own port facilities, foreign applications to operate terminals have been rejected. Thus, foreign carriers are compelled to contract with Japanese stevedore firms although Japanese carriers are able to reduce their operating costs through ownership of terminals and stevedore firms.

Mandatory weights and measurements: The JHTA requires that all cargo be weighed and measured, including standardized containers and cargo. According to respondents to the FMC information demand orders, when carriers have refused sworn measurement services and charges, they have been threatened with work delays, stoppages and other forms of retaliation. In December 1995 and January

1996, the JHTA, two sworn measurement labor unions, and the Japanese and foreign carrier groups reached an agreement to phase out mandatory weighing and measuring during a 5-year period.

Sunday work: Sunday work was first allowed at Japan's six major ports in 1987, suspended in 1992, and then reinstituted on a trial basis after the Kobe earthquake in January 1995. A temporary agreement to allow Sunday work expired on March 10, 1997. Various restrictions under the agreement created inefficiencies, gate congestion on Saturdays and Mondays (the terminal gates are closed on Sunday) and additional costs (surcharges for Sunday work) for carriers. In addition, uncertainties associated with Sunday work discourage carriers from scheduling Sunday work on a regular basis. As a result of these and the other restrictions mentioned, Japanese port costs are among the highest in the world.

On November 6, 1996, the FMC proposed a rule (published on November 13) pursuant to section 19(1)(b) of the Merchant Marine Act of 1920² to assess fees on Japanese liner operators in response to requirements and restrictions on the use of Japanese ports. In response, the FMC proposed to assess a per-voyage fee of \$100,000 each time a liner vessel owned or operated by one of the three Japanese liner operators serving U.S. trades (Kawasaki Kisen Kaisha, Nippon Yusen Kaisha, and Mitsui O.S.K. Lines) enters a U.S. port from abroad. The FMC had urged the Government of Japan to avert imposition of the sanctions "to afford U.S. carriers relief by making available the necessary licenses, permissions or certificates to perform, for themselves and third parties, stevedoring and terminal operating services, or to establish subsidiaries or related ventures to do so, as Japanese carriers are permitted to do in the United States." Bilateral consultations were held during January 29-30, 1997, and some progress was reportedly made, however, problems remained particularly with regard to the prior consultation system.

² Under Section 19 (1)(b) of the Merchant Marine Act of 1920, 46 U.S. C. app. 876 (1)(b), the FMC is authorized and directed to "make rules and regulations affecting shipping in the foreign trade not in conflict with the law in order to adjust or meet general or special conditions unfavorable to shipping in the foreign trade, whether in any particular trade or upon any particular route in commerce generally. . . ." The measures authorized include limitations on sailings, suspension of carriers' tariffs or rights to use conference tariffs, suspension of carriers' rights to operate under FMC-filed terminal and other agreements, fees of up to \$1,000,000 per voyage, or any other action deemed necessary and appropriate to adjust or meet the unfavorable condition.

¹ In June 1985, a complaint was filed with the Japan Fair Trade Commission alleging that the JHTA was restricting the activities of carriers and competition among terminal operators. In 1995, Sankyu, Inc., a JHTA member, filed a complaint with the JFTC alleging violations of Japan's antimonopoly law by JHTA in allocating work among operators. Both complaints were subsequently withdrawn.

Reactions to the proposed FMC sanctions

U.S. carriers strongly supported the FMC ruling. They also encouraged the FMC to increase the severity of its sanctions should the Government of Japan take any retaliatory actions against U.S. carriers in response to the \$100,000 per voyage sanction. In their view, the sanctions should continue until U.S. carriers are licensed to perform stevedoring and terminal operating services commensurate with those performed by licensed entities in Japan and by Japanese carriers and their affiliates in the United States. In addition, U.S. carriers indicated that the sanctions should be continued if there is "any remaining conspiracy by the Japan harbor services monopoly to injure or to eliminate competition from the new licensees, or to deprive new licensees of a supply of skilled labor. . ."

The Japan Foreign Steamship Association (JFSA) an organization of non-Japanese shipping lines that have also experienced problems with some of the practices at Japanese ports, proposed several changes to the prior consultation system, licensing system, and Sunday work. For example, shipping lines would be permitted to consult or negotiate directly with their stevedoring companies rather than submitting their operational plans to JHTA for approval. Also, JFSA requested that prior consultations not be used to allocate business among member companies and not be required for individual business transactions between carriers and stevedoring companies. Carriers should be allowed to obtain unrestricted general stevedore licenses at all Japanese ports, the present system of regulated rates should be abolished and Sunday work should be made permanent (including terminal and gate services and 24-hour port operation), according to the JFSA.

Japan's Ministry of Transport (MOT) indicated that it strongly opposed the FMC's decision and urged the FMC to withdraw it. MOT had previously labeled the FMC sanctions as "totally unacceptable," claiming that it would be "practically impossible" for Japanese liners to call at U.S. ports, that it would reduce capacity on transpacific routes and would have a major impact on shippers and consumers.

The three Japanese liner carriers that would be affected by the proposed sanctions indicated that they would be "severely injured by the threatened sanctions" that would cost an estimated 3.5 to 4 million dollars in 1997. The Japanese carriers disputed most of the FMC findings. In their view, the Government of Japan has never discriminated against U.S. carriers or advised U.S. carriers regarding licensing. The

Japanese claimed that there is no ownership restriction in the Port Transportation Law that prohibits a U.S. carrier applicant from being licensed and that the supply-demand requirement in the law was intended to "promote tranquility at the waterfront." The carriers pointed out that in December 1996, the Ministry of Transport announced that it would study elimination of the licensing system during a 3-to-5 year period. (The Japanese Shippers Association had also announced that it would reduce dock fees beginning in May 1997). The Japanese carriers pointed to the benefits of the prior consultation system in resolving discrepancies between shipping companies and waterfront labor unions. However, they also acknowledged that some reform of the administration of the system was needed.

All of the Japanese carriers' views were challenged by the FMC in its ruling.

The National Council of Dock Workers and the Japan Confederation of Port and Transport Workers threatened to stage a 24-hour nationwide strike to protest the FMC fees. They also planned to stage work stoppages on Sundays.

Tentative agreement reached

By late March, Japan's Ministry of Transport reached an agreement with the JHTA, port unions and foreign shipowners to simplify harbor practices, ensure that the JHTA did not abuse the prior consultation system and to act as a mediator if problems arose. The Ministry of Transport then hoped to win U.S. support for its proposal in time to avoid sanctions. On April 11, following a series of negotiations that began on April 2, the United States and Japan reached a Memorandum of Consultation identifying major issues of concern to the United States, including port practices, licenses and prior consultations. Regarding licensing, Japan promised that the Ministry of Transport would approve license applications that meet certain criteria within 4 months of receipt of the application. The agreement also included a framework for reforming the prior consultation system by July 31, 1997. The Ministry of Transport indicated that it would continue to use "maximum effort" to providing leadership for reform and clarified a number of points of interest to the United States. Reaction to the agreement from shippers was positive, with U.S. carriers calling MOT's commitments on licensing "meaningful" and "excellent progress." However, U.S. carriers also noted the "obvious risks" associated with JHTA domination of the consultation process. In delaying the effectiveness of the sanctions until September 4, 1997, the FMC noted that it remained concerned about the prior consultation system and "the

attendant power enjoyed by JHTA." The FMC ordered that progress reports regarding developments relevant to the proceeding, such as changes to prior consultation and licensing transactions, are to be completed by July 1 and August 5, 1997.

China's WTO Application Progresses Slowly

Modest progress was reported during recent negotiations on China's prospective membership in the World Trade Organization (WTO). The Working Party on China's WTO accession met in March and again in late May to take stock of progress in China's accession negotiations. In March, China announced that it would eliminate a requirement that imports and exports be handled only by state-approved trading companies. China also modified a proposal to reduce nontariff measures that it currently applies against a wide variety of imports. In late May, China announced that, upon accession, it would adhere to the WTO principle of nondiscrimination.

A variety of issues continue to be discussed in the negotiations. Some of the issues include the timetable for phasing out nontariff measures (NTMs), the role of state trading in agricultural products after accession, China's use of subsidies, high tariffs, market access for foreign service firms, and creation of a transitional safeguard mechanism. Despite recent tariff reductions, the average tariff rate in China is 23 percent. China maintains a large number of high tariffs, particularly in areas in which it is attempting to establish international competitiveness and in areas of export interest to U.S. industry. China recently announced that, upon accession, it would adhere to the WTO rules on trade-related aspects of intellectual property rights. In addition to the Working Party to negotiate a Protocol of Accession, the WTO accession process includes an individual agreement by each Working Party member on bilateral market access packages with China. The next meeting of the Working Party is scheduled for late July 1997.

Nondiscrimination

At the late May 1997, meeting of the Working Party, China committed itself to provide nondiscriminatory treatment to foreign companies and investors in China upon entry into the WTO. The principle of nondiscrimination is one of the so-called foundations of the WTO. Application of the nondiscrimination principle means that foreigners will

be treated no less favorably than their Chinese counterparts.

China currently maintains, however, a dual pricing system for prices and fees, with higher charges assessed foreigners than Chinese customers. Typically, the dual price structure applies to services such as energy, rent, and transportation costs. Under the offer to provide nondiscriminatory treatment to foreigners, China will eliminate this discriminatory pricing system upon entry into the WTO. Application of nondiscrimination will mean that China will no longer charge foreign investors, tourists, traders, and others higher prices than it charges domestic customers.

Trading Rights

U.S. companies doing business in China frequently cite trading rights—the ability to import and export—as one of the most significant obstacles to doing business in China. China's 1994 Foreign Trade Law specifies that foreigners may not engage directly in international trade. Foreign companies must use a government-approved Chinese company that has trading rights in order to trade with China. In addition, they must use a Chinese distributor to distribute imports in the domestic market. The requirement to use such government-approved intermediaries, U.S. businesses point out, adds costs and other distortions to China's trading regime, including administrative delays and costs, and it prevents the foreign firms from dealing directly with their Chinese customers. At the March 1997, meeting of the Working Party, China said it would grant trading rights to foreign and domestic firms in China. Unlike an earlier proposal, this trading rights offer does not reportedly allow foreign firms to distribute their own goods in China.

Foreign-invested enterprises (FIEs) generally possess limited trading rights. Such firms, including wholly foreign-owned enterprises, equity and cooperative joint ventures, have trading rights limited to importing inputs for use in their own production and to export goods made in China. In addition, FIEs may also possess the right to distribute goods on the local market that the firm manufactured in China.

Closely related to the issue of trading rights is the ability to distribute goods within China. Although use of a Chinese company is required to distribute a foreign firm's goods, this distribution is frequently restricted to a geographic region, because most Chinese firms do business within a specific geographic area and few are integrated on a nationwide basis. Such segmentation of the market further complicates marketing, sales, and after-sales service of imports,

goods made by FIEs in China, or importation of replacement parts. Finally, China maintains limits on foreign investment in numerous service sectors, including distribution services. Wholly foreign-owned enterprises in the foreign and domestic trade sectors, for example, are prohibited by China's foreign investment regulations.

China has taken steps recently to modify certain rules regarding trading rights. In February 1997, the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) released guidelines to simplify registration for trading rights by manufacturers in Special Economic Zones (SEZ's). The rules do not, however, apply to foreign-funded enterprises. In a move designed to increase exports, MOFTEC, in April, eased eligibility requirements for obtaining trading rights by firms producing machinery and electronics products. In late 1996, China introduced a pilot program to allow greater foreign participation in the foreign trade sector.

At the November 1995, meeting of leaders of the Asia-Pacific Economic Cooperation (APEC) forum, China's President Jiang Zemin had pledged to start allowing foreign investment in the foreign trade sector as a "down payment" on trade liberalization in the APEC forum. The pilot program marked a limited step towards allowing foreign participation in the foreign trade sector, according to Chinese officials. The program is limited to the Pudong area of Shanghai and the Shenzhen SEZ. Participation in joint-venture trading companies is limited to large Chinese trading companies and large foreign firms.

China's reluctance to grant trading rights to all firms reflects a concern that deregulation of trading rights could introduce imbalances into the Chinese economy. An official with MOFTEC's International Trade Research Institute said recently that allowing all firms to have trading rights could create imbalances in the economy in several ways: through a diversion of resources towards labor-intensive and low value-added industries instead of to Chinese Government priority areas such as high-technology and high value-added industries; by boosting imports; by allowing large multinational firms to dominate China's trade in particular products, including commodities of strategic importance to China; and by hastening bankruptcy of state firms unable to compete with foreign producers. Therefore, the official reasoned, China should proceed slowly in deregulating foreign trading rights.

Nontariff Measures

Also at the March meeting of the WTO Working Party, China tabled a proposal to reduce nontariff

barriers on approximately 400 products at the 8-digit HTS level. The proposal includes an offer to eliminate import licenses and quotas on certain agricultural products, alcoholic beverages, and color film. However, China has expressed its intention of retaining state control over export and import of many agricultural products through state-trading enterprises after WTO accession. Under the Chinese offer, China would phase-out use of the NTMs over various time periods, ranging from upon accession for certain products, to 12 years for others. The United States seeks shorter transition periods.

NTMs applied to imports by China include import licenses, import quotas, import tenders, and other measures. The State Economic and Trade Commission, the State Planning Commission, and MOFTEC are responsible for administering NTMs. The agencies set import quotas and allocate them to end-users nationwide. The process for establishing import quotas has been criticized for being nontransparent. Import licenses are required by many products that are also subject to import quotas. After approval for import of a product by other agencies, MOFTEC retains authority over granting import licenses.

Certain policies that have been recently introduced by China may impose additional NTMs on imports. Some of these policies are reportedly associated with China's industrial policies. These recent measures include a recent "automatic" registration requirement, import control measures on electrical and mechanical products, new regulations on the administration of medical equipment, and pending guidelines for the electronics sector and photographic equipment.

Japan Requests Dispute Panel Regarding Indonesia Auto Policy

On June 12, 1997, at the request of Japan and the EU, the World Trade Organization (WTO) established a dispute settlement panel to examine their complaints regarding Indonesia's national auto policy. Japan's initial request for a dispute panel on April 17 was rejected by Indonesia, but Indonesia did indicate a willingness to engage in consultations. Under WTO dispute settlement rules, a panel is automatically established if a party requests its creation a second time. The United States also requested a dispute settlement panel on June 12, 1997. On May 12, 1997, the EU had requested establishment of a panel, but it was rejected due to opposition by Indonesia. Japan did not make a request at the May meeting of the Dispute

Settlement Body because Indonesia was in the midst of a parliamentary election.

For over a year, Japan, the United States, and the EU have complained about Indonesia's policy of providing tariff and luxury sales tax exemptions to a domestically-owned auto company. Under the policy, the autos must meet local content requirements of 20 percent by September 1997, 40 percent by the end of the second year of production, and 60 percent within 3 years. It was expected to be difficult to reach the domestic content requirements due to the undeveloped nature of the domestic components industry. Although other companies are technically eligible to receive the tax benefits, the only company that has qualified so far for these benefits is PT Kia Timor Motor, a joint venture between an Indonesian company, PT Timor Putra Nasional and Kia Motors Corp., a Korean firm. PT Kia Timor Motor is owned by the youngest son of Indonesian President Suharto, Hutomo Mandala Putra. The joint venture is licensed to import up to 4,000 autos per month until a local assembly plant begins operating. So far, the company is reportedly selling fewer than 1,000 autos per month.

Background

The current dispute dates to March 1996, when President Suharto first announced plans to build a "national car." Toyota and other Japanese auto producers that had enjoyed a dominant share of the local market immediately expressed concerns about the plan to award exemptions from customs duties and luxury taxes to autos imported by Mr. Suharto's son. The Government of Japan warned Indonesia as early as May 1996, that it might file a complaint with the WTO, claiming that the program violated the principle of national treatment. The two countries began holding working level talks which broke down the first week of June 1996. Japan requested that Indonesia withdraw its policy of allowing autos to be imported from Korea duty-free by treating them as "national cars." PT Kia Timor Motor planned to upgrade one assembly plant and build another new facility scheduled to begin operations by September 1996. In the meantime it planned to import semi knocked down autos from Korea to take advantage of the tax breaks. For Japan, criticizing Indonesia's policy was a potentially difficult decision since Indonesia is Japan's

largest recipient of overseas development assistance (ODA) in Southeast Asia and because Indonesia is a major supplier of both crude oil and wood products to Japan.

The United States originally hoped that pressures from Japan would be enough to have an impact on Indonesia's policy. However, the American Automobile Manufacturer's Association and USTR both began expressing concerns about whether the Indonesian policy was a violation of WTO rules. In May 1996, President Suharto offered to grant tax-free status to autos over a 3-liter engine size that are assembled locally and to tax exemptions on luxury automobiles assembled in Indonesia. The proposal would have favored U.S. producers that make autos with larger sized engines. In July, President Suharto tried to further soften U.S. opposition to the policy by declaring that other companies could apply to join the "national car" program and receive the same breaks as Kia. However, the United States continued to consider filing a WTO complaint.

On July 16, 1996, Japan's Minister of International Trade and Industry reportedly made it clear to Indonesia that it planned to file a complaint with the WTO because Indonesia planned to proceed with its national car program, even though it had promised not to do so while bilateral negotiations were underway. The first shipments of imported "national" cars arrived in Indonesia at the end of August and on October 4, 1996, Japan filed a complaint concerning Indonesia's National Car Program, contending that the measures were in violation of Indonesia's obligations under Articles I:1 (Most-Favored Nation treatment), III:2, III:4 (national treatment) and X:3(a)(publication and administration of trade regulations) of the GATT as well as Articles 2 (national treatment) and 5.4 (notification) of the TRIMs agreement. The EU and the United States filed complaints on October 3 and October 8, 1996, respectively. The United States continues to be engaged in talks with Japan.

On November 29, 1996, Japan filed a complaint alleging violations of articles 3, 6 (prohibitions, serious prejudice), and 28 (existing programs) of the WTO Subsidies Agreement. Consultations have been held under WTO auspices, but Indonesia reportedly has refused to change its policy. A ruling from the panel established on June 12, 1997, is expected within 6 to 9 months.

INTERNATIONAL ECONOMIC COMPARISONS

U.S. Economic Conditions

Lack of pressures from labor costs in goods-producing sectors and productivity gains due to the globalization of production have been major factors in keeping inflation low despite the surge in U.S. economic growth.

Employment costs have increased modestly in the goods-producing sectors over the past year (table 1). The U.S. Bureau of Labor Statistics Employment Cost Index (ECI) shows that seasonally adjusted total compensation costs for civilian workers (private industry plus State and local government) increased by 2.9 percent in the 12-month period ended March 1997, and by a mere 0.6 percent during the December 1996-March 1997 period, continuing a pattern exhibited throughout the last 4 years. Wages and salaries of civilian workers increased by 3.3 percent in

the 12 months ended March 1997. Benefit cost declines over the December 96-March 97 period further moderated the rise in wages and salaries and the increase in total compensation costs (figure 1).

In manufacturing, seasonally adjusted employment costs increased at a much slower rate in the period December 96-March 97 than in the previous seven quarters, in both the durable and nondurable sectors. Total employment costs over the 12-month period ending March 1997 increased by 2.6 percent, compared with a 3.0-percent increase in the previous year.

Labor cost increases in manufactures were well below employment cost increases in the services sector, which rose by 0.8 percent in the December 96-March 97 period and by 3.1 percent over the year ending March 1997. The rise was particularly notable in wholesale trade, where employment costs rose by 1.7 percent in the December 96-March 97 period, and rose by 4.1 percent in the year ending March 97.

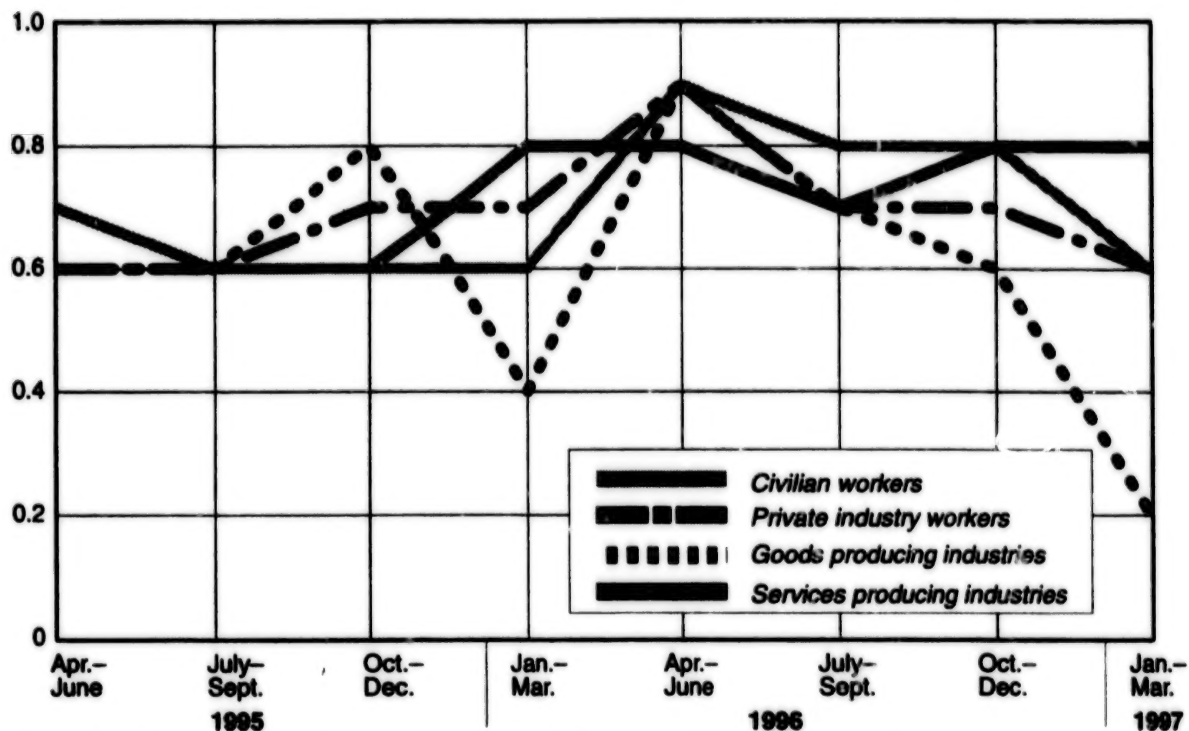
Table 1
Percent changes in employment cost index for civilian workers, seasonally adjusted

	3-months ended								12-months ended
	June 1995	Sept. 1995	Dec. 1995	Mar. 1996	June 1996	Sept. 1996	Dec. 1996	Mar. 1997	Mar. 1997
Compensation component:									
Compensation costs	0.7	0.6	0.6	0.6	0.9	0.6	0.8	0.6	2.9
Wages and salaries	0.7	0.7	0.6	1.0	0.8	0.7	0.8	0.9	3.3
Benefit costs	0.6	0.5	0.5	0.1	0.6	0.6	0.7	0.1	2.0
Compensation by workers groups:									
Civilian workers	0.7	0.6	0.6	0.6	0.9	0.6	0.8	0.6	2.9
Goods producing industries	0.6	0.6	0.8	0.4	0.9	0.7	0.6	0.2	2.4
Construction	0.6	0.7	0.7	0.6	0.5	0.4	0.9	0.6	2.4
Manufacturing	0.6	0.6	0.8	0.5	0.9	0.8	0.7	0.2	2.6
Durables	0.6	0.5	0.8	0.3	1.2	0.6	0.7	0.1	2.6
Non-durables	0.6	0.6	1.0	0.7	0.5	1.2	0.7	0.3	2.7
Services producing industries	0.7	0.6	0.6	0.8	0.8	0.7	0.8	0.8	3.1
Wholesale trade	0.9	1.3	0.8	0.6	0.9	0.7	0.8	1.7	4.1
Retail trade	0.4	0.7	0.4	1.5	-0.1	1.1	1.3	0.9	3.2
Finance, insurance and real estate	1.3	0.7	0.3	1.1	1.4	0.3	-0.6	2.1	3.2

Note.—This release includes annual revisions in seasonally adjusted Employment Cost Indexes for compensation costs, wages and salaries, and benefit costs.

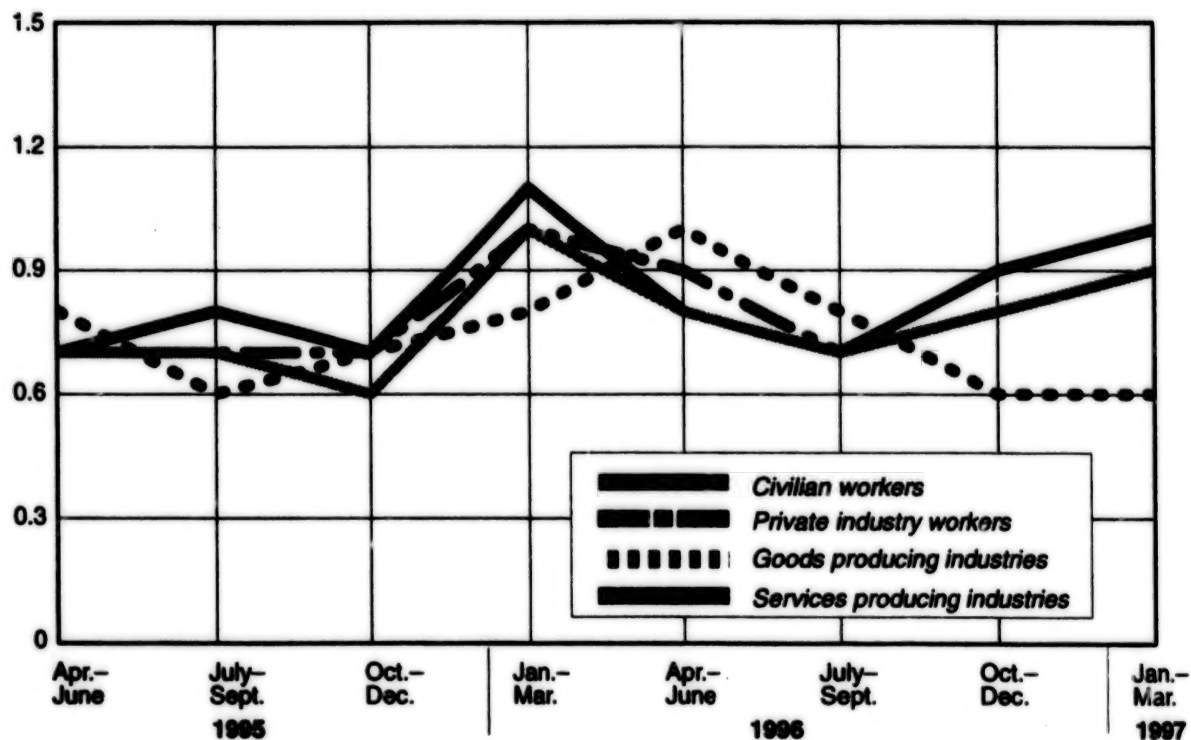
Source: U.S. Bureau of Labor Statistics, *Employment Cost Index (ECI)*, March 1997.

Figure 1
Percent change in employment total compensation (wages, salaries and benefits) by industry, Apr. 95-Mar. 97



Source: U.S. Bureau of Labor Statistics, *Employment Cost Index (ECI)*, March 1997.

Percent change in employment wages and salaries excluding workers' benefits, by industry, Apr. 95-Mar. 97



Source: U.S. Bureau of Labor Statistics, *Employment Cost Index (ECI)*, March 1997.

Percent changes in total compensation by workers groups are compared in figure 1. The upper section of figure 1 shows total workers' compensation including benefit costs. The lower section shows that the decline in workers benefits resulted in lowering total labor costs.

The case has been made by several analysts that a broad deceleration of growth based on a decline in consumer spending is in the making. This projection was based on the decline in retail sales and the softening of other economic indicators released by the Commerce Department. However, except for the decline in retail sales for 2 consecutive months, other indicators have since rebounded. Retail sales, a gauge of consumer spending, slid by 0.1 percent in May following a 0.9-percent decline in April and were flat in March. The April decline was led by a 0.9-percent plunge in car sales, and was the highest in 10 months. Moreover, the index of leading indicators, a gauge of future economic activity, decreased by 0.1 percent following a 0.2-percent increase in March.

Nonetheless, new orders for manufactured goods increased by 1.2 percent in April following a 1.3-percent decline in March, marking the third increase in the last 4 months. Shipments increased by 1.2 percent in April, up sharply from the 0.1-percent increase in March. Unfilled orders decreased for the second consecutive month by 0.3 percent. In addition, the industrial production index increased by 0.4 percent in May and 0.3 percent in April, following a decline of 0.4 percent in March. The index of leading indicators, a gauge of future economic activity, decreased by 0.1 percent in April, following a 0.2 percent increase in March.

The slide in retail sales combined with the decline in the index of economic indicators could signal an upcoming slowdown in overall growth. However, by all counts these retrenchments seem likely to be just a temporary pause, since consumer fundamentals are still strong—unemployment is at a 23-year low, job growth is robust, incomes are rising, consumer confidence is high, and wages and salaries have been rising modestly.

The continued lack of inflationary pressures despite tight labor markets has been clearly demonstrated by the behavior of consumer and producer prices. Consumer prices have shown benign increases over several months, and the producer's price index fell for the fifth straight month. Flexibility of labor markets, gains in worker productivity and the expansion in world productive capacity have played eminent roles in keeping inflation low. Globalization

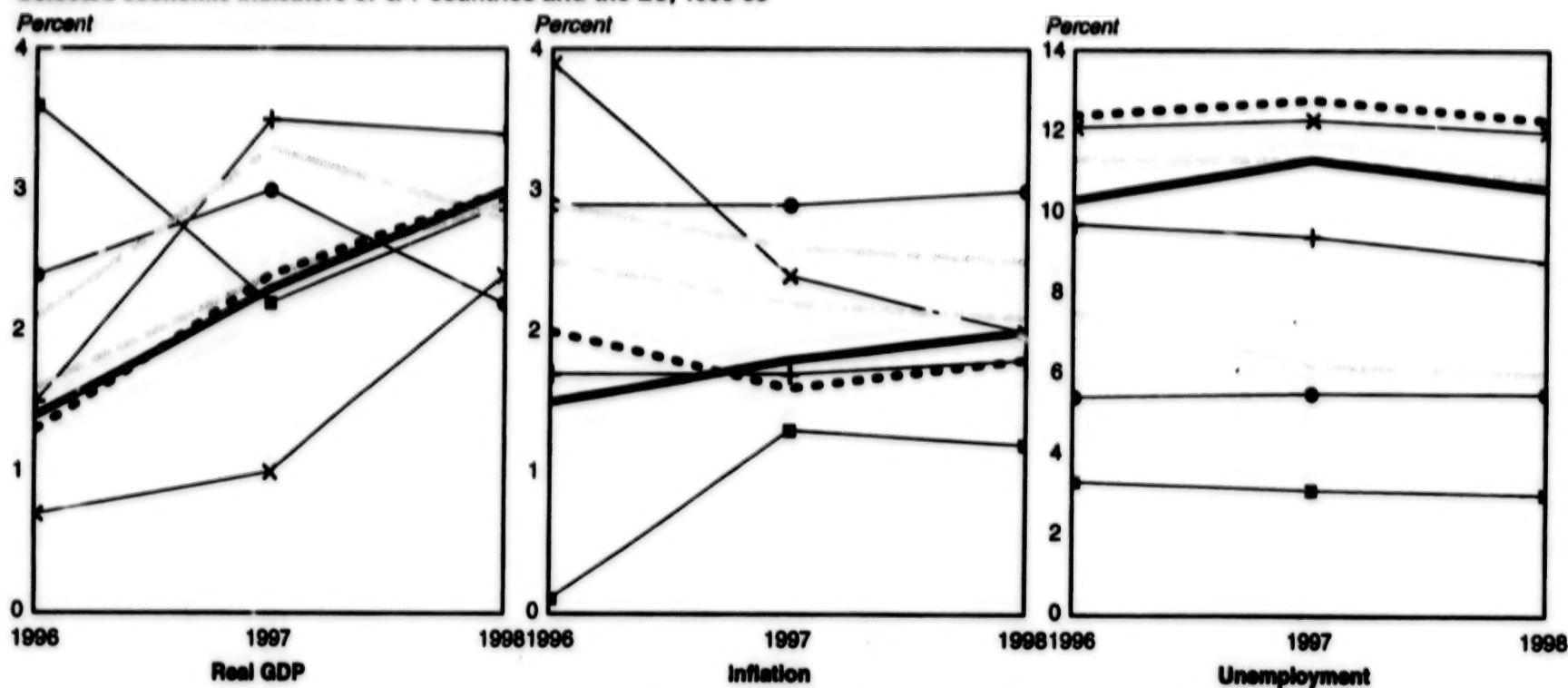
has increased world productive capacity and strengthened world interdependence through the increased exchange of goods and services, capital and technology. As such, globalization has led to an increase in specialization, a widening of markets, and a more efficient allocation of resources. Meanwhile, computers have linked production and distribution centers at a much higher speed and with more efficiency and less cost than ever before. Specialized software has helped keep inventories at a lean level relative to sales, reducing inventory fluctuations, a major source of business cycles. Indeed, many now believe that such productivity gains based on globalization and information technology improvements mean that robust economic growth, high employment and low inflation can continue to coexist unless these underlying conditions favorable to noninflationary growth change fundamentally.

World Economic Outlook

The International Monetary Fund's (IMF) semiannual report on the world economy—*The World Economic Outlook*—offers a promising future, with fast growth, low inflation, falling budget deficits—all underpinned by expanding international trade, structural reforms in labor markets and conservative monetary policies in industrial countries. According to the IMF, structural reforms are enhancing the role of market forces and strengthening the basis for sustained robust growth. The process of global economic integration has been supported by trade liberalization and changes in the role of governments. Privatization and deregulation of state activities has raised efficiency and spurred private sector activity in a number of regions.

These favorable global conditions are underscored by the continued robust growth with low inflation in the United States and the United Kingdom and strengthening prospects of sustained growth in Japan, Canada, and EU (figure 2). Productivity gains and moderating unit labor costs are playing an important role in the economic expansion of the G-7 countries particularly the United States, Japan and Germany (table 2). There was moderation of growth and inflation in several dynamic emerging countries in 1996, but growth picked up in several Latin American countries during 1996 (table 3). In the Middle East and Africa growth has started to show some momentum. In the transition economies (Russia, Central and Eastern Europe and ex-Soviet republics), positive growth is expected in 1997 for the first time since the collapse of central planning, according to the IMF.

Figure 2
Selected economic indicators of G-7 countries and the EU, 1996-98



	Real GDP %			Inflation ¹ %			Unemployment %		
	1996	1997	1998	1996	1997	1998	1996	1997	1998
United States	2.4	3.0	2.2	2.9	2.9	3.0	5.4	5.5	5.5
Canada	1.5	3.5	3.4	1.7	1.7	1.8	9.7	9.4	8.8
Japan	3.6	2.2	2.9	0.1	1.3	1.2	3.3	3.1	3.0
Germany	1.4	2.3	3.0	1.5	1.8	2.0	10.3	11.3	10.6
France	1.3	2.4	3.0	2.0	1.6	1.8	12.4	12.8	12.3
United Kingdom	2.1	3.3	2.8	2.9	2.6	2.5	7.5	6.2	6.0
Italy	0.7	1.0	2.4	3.9	2.4	2.0	12.1	12.3	12.0
EU	1.6	2.4	2.9	2.5	2.2	2.1	11.3	11.3	10.8

¹ Change in consumption.

Source: IMF, Economic Outlook, May 1997.

Table 2
Productivity and unit labor costs in manufacturing for selected economies, 1996-98
(Percentage)

Item	1996	1997	1998
Productivity:			
United States	4.0	2.6	2.3
Canada	0.9	1.0	1.1
Japan	3.9	2.7	3.4
Germany	4.2	3.0	3.0
France	2.0	3.4	2.4
Italy	-1.1	1.7	1.8
United Kingdom	-0.3	0.9	2.4
EU	1.5	2.3	2.4
Unit labor costs:			
United States	-0.3	0.3	1.2
Canada	2.3	2.0	0.8
Japan	-2.1	-1.4	-0.4
Germany	-1.0	-0.7	-
France	0.8	-0.5	0.7
Italy	6.4	2.5	2.1
United Kingdom	4.0	3.4	2.4
EU	2.2	1.1	1.4

Note.—1997 and 1998 are IMF projections.

Source: IMF World Economic Outlook, May 1997.

Table 3
Economic indicators of selected advanced and emerging economies in Asia and Latin America, 1996-98
(Percentage)

Country	Real GDP			Consumer prices			Current account position		
	1996	1997	1998	1996	1997	1998	1996	1997	1998
	<i>Change from previous period</i>						<i>Share of GDP</i>		
China	9.7	9.5	n/a	6.0	6.0	n/a	n/a	n/a	n/a
Korea	7.1	5.6	6.3	5.0	4.4	4.1	-4.9	-4.1	-3.3
Taiwan	5.6	6.0	6.3	3.1	3.4	3.3	2.7	2.4	2.6
Hong Kong	4.5	5.0	5.0	6.0	7.1	6.5	1.3	1.1	1.9
Singapore	7.0	6.6	6.1	1.4	1.8	2.0	15.7	15.8	16.8
India	6.9	6.6	n/a	7.0	8.0	n/a	-1.7	-2.0	n/a
Argentina	4.4	5.0	n/a	0.1	1.1	n/a	n/a	n/a	n/a
Brazil	3.0	4.5	n/a	11.0	8.0	n/a	n/a	n/a	n/a
Chile	7.2	5.8	n/a	7.4	6.0	n/a	n/a	n/a	n/a
Mexico	5.1	4.5	n/a	34.1	17.3	n/a	n/a	-0.5	-1.2
Venezuela	-1.2	3.9	n/a	99.9	46.6	n/a	n/a	n/a	n/a

Note.—1997 and 1998 are projections of the IMF.

Source: IMF, World Economic Outlook, May 1997.

Propelled by globalization of production and reduction in tariff and nontariff barriers, world trade is expected to grow much faster than world output. The U.S. share of world exports, meanwhile, is projected to increase in 1997 (table 4).

U.S. Economic Performance Relative to the Group of Seven (G-7)

Economic growth

U.S. real GDP—the output of goods and services produced in the United States measured in 1992 prices—grew at a revised annual rate of 5.9 percent in the first quarter of 1997, the highest gain since 1984. GDP increased by 3.8 percent in the fourth quarter of 1996.

The annualized rates of real GDP growth in the first quarter of 1997 was 3.4 percent in Canada, 0.8 percent in France, 1.8 percent in Germany, -1.2 in Italy and 3.7 percent in the United Kingdom. In the fourth quarter of 1996 Japan's GDP growth rate was 3.9 percent.

Industrial production

The Federal Reserve Board reported that U.S. industrial production (IP) increased by 0.4 percent in May following a 0.3-percent increase in April and 0.4 percent rise in March. The output of motor vehicles partially rebounded in May as one of the strikes that started in April ended in early May. Continued strength in commercial aircraft and the high-technology sector also contributed to the widespread gains among durable manufactures. Manufacturing output in May 1997 was 5.0 percent higher than in May 1996. Total industrial production in May 1997 was 4.3 percent higher than it was in May 1996. Total industrial capacity utilization increased by 0.1 percentage point, to 83.7 percent and was 3.7 percent higher than in May 1996.

Other Group of Seven (G-7) member countries reported the following changes in annual rates of industrial production. For the year ending April 1997, Germany reported a 1.3-percent increase, Japan reported a 4.9-percent increase and the United Kingdom reported a 2.2-percent increase. For the year ending March 1997, Canada reported a 3.6-percent increase, France reported a 1.1-percent increase, but Italy reported a 3.6-percent decrease.

Table 4
Export market shares of selected economies in percentage of world exports of goods and services, 1995-98

Country	1995	1996	1997	1998
			<i>Projections</i>	
Industrial countries:				
United States	12.6	12.8	13.2	13.2
Canada	3.4	3.4	3.5	3.5
Japan	7.9	7.2	6.8	6.7
Germany	9.8	9.4	8.8	8.7
France	5.9	5.7	5.4	5.4
Italy	4.8	5.0	4.8	4.7
United Kingdom	5.0	5.1	5.2	5.1
Asia:				
Hong Kong	3.4	3.4	3.6	3.8
Korea	2.4	2.4	2.5	2.6
Singapore	2.4	2.4	2.5	2.5
Taiwan	2.0	2.0	2.2	2.2
China	2.4	2.4	2.6	2.7
Latin America and economies in transition:				
Argentina	0.4	0.4	0.4	0.4
Brazil	0.8	0.8	0.8	0.9
Mexico	1.1	1.2	1.3	1.4
Russia	1.5	1.5	1.6	1.5

Note.—1997 and 1998 are IMF projections.

Sources: IMF, *World Economic Outlook*, May 1997.

Prices

The seasonally adjusted U.S. Consumer Price Index (CPI) rose by 0.1 percent in May 1997 following the same increase in April and March. Prices for food rose, but the energy index declined for the third consecutive month. Excluding food and energy, the CPI rose 0.2 percent in May, following an increase of 0.3 percent in April. For the 12-month period ended in May 1997, the CPI increased by 2.2 percent.

For other G-7 countries the latest annual price increases were 1.7 percent in Canada (April), 0.9 percent in France (April), 1.6 percent in Germany (May), 1.6 percent in Italy (May), 1.9 percent in Japan (April), and 2.6 percent in the United Kingdom (May).

Employment

The Bureau of Labor Statistics reported that the unemployment rate was 4.8 percent in May 1997 virtually unchanged from April 1997, when it declined by 0.3 percentage points. Among the major demographic groups, the rate for adult men dropped by 0.4 percentage point in May to 3.8 percent, while the rates for adult women (4.5 percent), teenagers (15.6 percent), whites (4.0 percent), blacks (10.3 percent), and Hispanics (7.4 percent) were essentially unchanged.

Total employment was little changed in May, with nonfarm payroll jobs rising by 138,000 following an increase of 323,000 in April. The average monthly gain in employment thus far in 1997 has been 229,000 BLS reported, in line with that recorded in 1996. The proportion of the population with jobs reached a record high of 63.9 percent. In May, the largest job gains were in the services and construction industries. The services industry added 125,000 jobs over the month. Health services and hotels and lodging places each had a relatively large job gain—26,000 and 13,000, respectively—for the second month in a row. Amusement and recreation services also recorded a strong job increase (32,000) in May, after showing no change in the prior 2 months. Employment growth continued in computer and data processing services, engineering and management services, and social services. In contrast, employment in help supply services declined for the second straight month, with the losses totaling 55,000. Construction employment grew by 23,000 in May, as favorable weather helped the industry to rebound from a loss of 10,000 jobs in April.

In May, employment growth continued in finance (8,000) and real estate (3,000). Employment in

insurance showed no change, following a gain in April. Within the transport industry, trucking and air transport continued their upward trends. Retail trade employment held steady in May, following a large increase in the prior month. Furniture and home furnishings stores added 9,000 jobs, while employment decreased in general merchandise stores. Employment in eating and drinking places was flat over the month, after posting a large gain in April. Wholesale trade added 7,000 jobs in May, half its monthly average during the prior 12 months. Manufacturing employment edged down by 5,000 in May. There were losses of 6,000 jobs each in food and kindred products and in apparel, where a long-term employment decline continued. A strike in auto manufacturing caused employment to decrease in that industry. Over the month, employment rose in printing and publishing and in chemicals and allied products. Growth continued in electronic components, industrial machinery, and aircraft.

Average hourly earnings of private production or nonsupervisory workers on nonfarm payrolls were up 4 cents in May to \$12.19, seasonally adjusted. Average weekly earnings increased by 0.3 percent to \$420.56. Over the past year, average hourly earnings have risen by 3.8 percent and average weekly earnings by 4.4 percent.

In other G-7 countries, their latest unemployment rates were as follows: 9.5 percent in Canada (May), 12.8 percent in France (April), 11.4 percent in Germany (May), 12.2 percent in Italy (January), 3.3 percent in Japan (April), and 5.8 percent in the United Kingdom (May).

Forecasts

Six major forecasters expect real growth in the United States to average around 2.0 percent to 2.4 percent (at an annual rate) in 1997. Table 5 shows macroeconomic projections for the U.S. economy from January to December 1997, and the simple average of these forecasts. Forecasts of all the economic indicators, except unemployment, are presented as percentage changes over the preceding quarter, on an annualized basis. The forecasts of the unemployment rate are averages for the quarter.

The average of the forecasts points to an unemployment rate of 4.9 percent to 5.1 percent in 1997. Inflation (as measured by the G.P. deflator) is expected to remain subdued at an average rate of about 2.2 percent to 2.4 percent.

Table 5
Projected changes of selected U.S. economic indicators, by quarters, Jan.-Dec. 1997
 (Percentage)

Period	Conference Board	E.I. Dupont	UCLA Business Forecasting Project	Merrill Lynch Capital Markets	Data Resources Inc. (D.R.I.)	Wharton WEFA Group	Mean of 6 forecasts
GDP current dollars							
1997:							
Jan.-Mar	8.4	8.4	8.0	8.8	8.1	8.8	8.4
Apr.-June	3.1	4.7	5.3	3.8	4.8	3.9	4.3
July-Sep	5.6	4.7	4.6	4.8	4.6	4.7	4.9
Oct.-Dec	6.4	4.9	4.0	4.4	4.6	4.4	4.8
Annual average	5.9	5.7	5.5	5.5	5.5	5.5	5.6
GDP constant (chained 1992) dollars							
1997:							
Jan.-Mar	5.7	5.8	5.5	5.7	6.6	5.8	5.9
Apr.-June	0.6	2.2	2.7	2.0	3.0	1.6	2.0
July-Sep	2.9	2.0	1.9	2.5	2.8	2.4	2.4
Oct.-Dec	3.6	2.0	1.5	2.2	2.8	2.2	2.4
Annual average	3.2	3.0	2.9	3.1	3.8	3.0	3.2
GDP deflator index							
Jan.-Mar	2.7	2.6	2.4	2.8	1.4	2.7	2.4
Apr.-June	2.3	2.5	2.6	1.8	1.8	2.2	2.2
July-Sep	2.6	2.5	2.6	2.2	1.8	2.2	2.4
Oct.-Dec	2.7	2.5	2.5	2.2	1.8	2.2	2.3
Annual average	2.6	2.5	2.5	2.3	1.7	2.3	2.3
Unemployment, average rate							
1997:							
Jan-Mar	5.3	5.2	5.3	5.3	5.3	5.3	5.3
Apr.-June	4.9	4.9	5.0	5.0	4.9	4.9	4.9
July-Sep	4.9	5.0	5.2	5.1	5.0	5.0	5.0
Oct.-Dec	4.8	5.0	5.4	5.2	5.0	5.1	5.1
Annual average	5.0	5.1	5.2	5.2	5.1	5.1	5.1

Note.—Except for the unemployment rate, percentage changes in the forecast represent annualized rates of change from preceding period. Quarterly data are seasonally adjusted. Forecast date, May 1997.

Source: Compiled from data of the Conference Board. Used with permission.

U.S. TRADE DEVELOPMENTS

The U.S. Department of Commerce reported that seasonally adjusted exports of goods and services of \$78.4 billion and imports of \$86.7 billion in April 1997 resulted in a goods and services trade deficit of \$8.4 billion, \$0.6 billion more than the \$7.8 billion deficit of March 1997. The April 1997 deficit was approximately \$1.3 billion less than the deficit registered in April 1996 (\$9.7 billion) and \$1.2 billion less than the average monthly deficit registered during the previous 12 months (approximately \$9.6 billion).

The April 1997 trade deficit on goods was \$15.1 billion, approximately \$0.3 billion more than the

March 1997 deficit (\$14.9 billion). The April 1997 services surplus was \$6.7 billion, slightly less than the March services surplus of \$7.1 billion.

Seasonally adjusted U.S. trade in goods and services in billions of dollars as reported by the U.S. Department of Commerce is shown in table 6. Nominal export changes and trade balances for specific major commodity sectors are shown in table 7. U.S. exports and imports of goods with major trading partners on a monthly and year-to-date basis are shown in table 8, and U.S. trade in services by major category is shown in table 9.

Table 6
U.S. trade in goods and services, seasonally adjusted, Jan. -Apr. 1997
(Billion dollars)

Item	Exports		Imports		Trade balance	
	Apr. 1997	Mar. 1997	Apr. 1997	Mar. 1997	Apr. 1997	Mar. 1997
Trade in goods (BOP basis)						
Current dollars—						
Including oil	57.6	57.2	72.7	72.0	-15.1	-14.9
Excluding oil	57.5	57.3	65.9	64.5	-8.4	-7.2
Trade in services						
Current dollars	20.7	21.0	14.0	13.9	6.7	7.1
Trade in goods and services						
Current dollars	78.4	78.2	86.7	85.9	-8.4	-7.8
Trade in goods (Census basis)						
1992 dollars	63.4	62.4	78.0	75.6	-14.6	-13.2
Advanced-technology products (not seasonally adjusted)	15.4	16.3	11.7	11.9	3.7	4.4

Note.—Data on goods trade are presented on a balance-of-payments (BOP) basis that reflects adjustments for timing, coverage, and valuation of data compiled by the Census Bureau. The major adjustments on BOP basis exclude military trade but include nonmonetary gold transactions, and estimates of inland freight in Canada and Mexico, not included in the Census Bureau data.

Source: U.S. Department of Commerce News (FT 900), June 19, 1997.

Table 7
Nominal U.S. exports and trade balances, of agriculture and specified manufacturing sectors,
Jan. 1996-Apr. 1997

	Exports		Change	Share of total Jan.-Apr. 1997	Trade balances	
	Apr. 1997	Jan.-Apr. 1997	Jan.-Apr. 1997 over Jan.-Apr. 1996		Jan.-Apr. 1997	Jan.-Apr. 1996
	Billion dollars		Percentage		Billion dollars	
ADP equipment & office machinery	3.4	13.7	0.7	6.1	-9.0	-7.6
Airplanes	2.8	8.2	86.4	3.7	7.2	3.3
Airplane parts	1.2	4.2	13.5	1.9	2.7	2.7
Electrical machinery	5.4	20.7	9.0	9.3	-4.1	-6.7
General industrial machinery	2.7	10.0	13.6	4.5	1.2	0.2
Iron & steel mill products	0.5	1.8	5.9	0.8	-2.9	-2.3
Inorganic chemicals	0.5	1.7	21.4	0.8	0	-0.2
Organic chemicals	1.4	5.4	3.9	2.4	-0.3	-0.1
Power-generating machinery	2.4	9.0	21.6	4.0	0.9	0.1
Scientific instruments	2.0	7.7	14.9	3.4	3.5	2.8
Specialized industrial machinery .	2.4	9.0	3.5	4.0	2.2	2.3
TVS, VCRs, etc	2.0	7.1	14.5	3.2	-3.3	-3.6
Textile yarns, fabrics and articles	0.8	2.9	16.0	1.3	-0.8	-0.7
Vehicle parts	5.0	18.5	11.5	8.3	-19.1	-16.7
Manufactured exports not included above	15.0	57.0	7.6	25.5	-27.5	-23.9
Total manufactures	47.4	176.9	11.3	79.0	-49.3	-50.4
Agriculture	4.5	19.1	-9.5	8.5	7.2	10.1
Other exports not included above	6.9	27.8	8.2	12.5	-8.1	-4.5
Total exports of goods	58.8	223.8	8.8	100.0	-50.2	-44.8

Note.—Because of rounding, figures may not add to the totals shown. Data are presented on a Census basis.

Source: U.S. Department of Commerce News (FT 900), June 19, 1997.

Table 8
U.S. exports and imports of goods with major trading partners, Jan. 1996-Apr. 1997
(Billion dollars)

Country/area	Exports			Imports			Trade Balances	
	Apr. 1997	Jan.- Apr. 1997	Jan.- Apr. 1996	Apr. 1997	Jan.- Apr. 1997	Jan.- Apr. 1996	Jan.- Apr. 1997	Jan.- Apr. 1996
North America	19.1	71.6	62.0	21.4	82.3	73.3	-10.7	-11.3
Canada	13.3	50.2	44.6	14.3	55.6	50.4	-5.4	-5.8
Mexico	5.7	21.4	17.4	7.1	26.7	22.9	-5.3	-5.5
Western Europe	14.0	53.1	48.2	14.5	54.2	50.4	-1.1	-2.2
European Union (EU-15)	12.2	47.8	43.6	13.3	49.4	45.6	-1.6	-2.0
France	1.4	5.3	5.0	1.6	6.2	5.8	-0.9	-0.8
Germany	2.4	8.6	8.0	3.8	13.8	12.3	-5.2	-4.3
Italy	0.8	3.1	3.3	1.5	6.1	6.0	-3.0	-2.7
United Kingdom	3.2	12.8	10.8	2.7	10.3	9.2	2.5	1.6
European Free-Trade Association (EFTA)	1.4	3.9	3.3	0.9	3.8	4.0	0.1	-0.7
Former Soviet Republic/Eastern:								
Europe	0.7	2.5	2.5	0.7	2.5	1.9	0	0.6
Russia	0.3	1.0	1.2	0.3	1.3	1.0	-0.3	0.2
Pacific Rim Countries	16.4	63.2	63.1	25.1	96.2	91.5	-33.0	-28.4
Australia	0.9	3.7	4.0	0.3	1.2	1.1	2.5	2.9
China	1.0	3.8	4.0	4.5	16.9	13.3	-13.1	-9.3
Japan	5.5	22.2	23.0	10.4	40.2	38.7	-18.0	-15.7
NICs	6.8	25.7	24.9	6.9	25.9	27.0	-0.2	-2.1
South/Central America	5.1	19.0	15.9	4.3	17.2	15.1	1.8	0.8
Argentina	0.4	1.7	1.3	0.2	0.7	0.7	1.0	0.6
Brazil	1.2	4.6	3.5	0.8	3.1	2.8	1.5	0.7
OPEC	2.0	7.2	6.7	3.7	14.5	12.6	-7.3	-5.9
Total	58.8	223.8	205.7	71.2	274.0	250.5	-50.2	-44.8

¹ EFTA includes Iceland, Liechtenstein, Norway, and Switzerland.

² The newly industrializing countries (NICs) include Hong Kong, the Republic of Korea, Singapore, and Taiwan.

Note.—Country/area figures may not add to the totals shown because of rounding. Exports of certain grains, oilseeds, and satellites are excluded from country/area exports but included in total export table. Also some countries are included in more than one area. Data are presented on a Census Bureau basis.

Source: U.S. Department of Commerce News (FT 900), June 19, 1997.

Table 9
Nominal U.S. exports and trade balances of services, by sectors, Jan. 1996-Apr. 1997, seasonally adjusted

	Exports		Change	Trade balances	
	Jan.- Apr. 1997	Jan.- Apr. 1996	Jan.-Apr. 1997 over Jan.-Apr. 1996	Jan.- Apr. 1997	Jan.- Apr. 1996
	Billion dollars		Percentage	Billion dollars	
Travel	24.7	22.2	11.3	7.2	5.7
Passenger fares	7.1	6.6	7.6	1.4	1.4
Other transportation	9.5	8.9	6.7	-0.3	-0.4
Royalties and license fees	10.3	9.9	4.0	7.8	7.6
Other private services ¹	26.4	23.9	10.5	11.3	9.9
Transfers under U.S. military sales contracts	4.5	4.4	2.3	0.8	0.9
U.S. Govt. miscellaneous service	0.3	0.4	-25.0	-0.6	-0.5
Total	82.9	76.3	8.5	27.6	24.6

¹ "Other private services" consists of transactions with affiliated and unaffiliated foreigners. These transactions include educational, financial, insurance, telecommunications, and such technical services as business, advertising, computer and data processing, and other information services, such as engineering, consulting, etc.

Note.—Services trade data are on a balance-of-payments (BOP) basis. Numbers may not add to totals because of seasonal adjustment and rounding.

Source: U.S. Department of Commerce News (FT 900), June 19, 1997.

WORKING PAPERS

The following is a list of Office of Economics working papers, unpublished staff papers which are currently available from the Office of Economics. Please request working papers by reference code, title, and author. Submit all requests to the Office of Economics, U.S. International Trade Commission, 500 E Street, SW., Washington DC 20436, USA, or by fax at (202) 205-2340. (* indicates nonstaff member of the USITC.)

Reference Code	Title	Author Status
1997		
97-04A	R&D Activity and Acquisitions in High Technology Industries	*Bruce A. Blonigen and Christopher T. Taylor
97-02-A	The Effect of U.S. MFN Status on China	Hugh M. Arce Christopher T. Taylor
97-02-B	APEC: Organization, Goals and Approach	Diane L. Manifold
1996		
96-04-A	Japanese Corporate Activities in Asia: Implications for U.S.-Japan Relations (REVISED)	Diane L. Manifold
96-11-B	Consequences of the Commodity Composition of Trade in Latin America	Michael J. Ferrantino and *Sheila Amin Gutierrez de Piñeres
96-11-A	The Effect of Global Trade Liberalization on Toxic Emissions in Industry	Michael J. Ferrantino Linda A. Linkins
96-10-B	Data and Methodology for Analysis of the Information Technology Agreement (ITA)	Michael J. Ferrantino and Christopher T. Taylor
96-09-B	Computable General Equilibrium Models: Introduction in a Historical Perspective	Peter Pogany
96-09-A	Multicountry Results from a Single-Country Model: The Case of U.S.-Chilean Trade Liberalization	Michael P. Gallaway and Linda A. Linkins
96-06-A	Free Trade with Chile May Increase U.S. Investment Opportunities in Latin America (Background Information for CGE Policy Simulations)	Nancy Benjamin and Peter Pogany
96-05-A	The Almost Ideal Demand System and Applications in General Equilibrium Calculations	Peter Pogany
96-04-A	Japanese Corporate Activities in Asia: Implications for U.S.-Japan Relations	Diane Manifold
96-01-A	Dynamic Investment Responses to Real Exchange Rate Changes	Nancy Benjamin

Reference Code	Title	Author Status
1995		
95-12-A	Export Diversification and Structural Change: Some Comparisons for Latin America	*Sheila Amin Gutierrez de Pifíeres and Michael J. Ferrantino
95-07-A	Transition to A Market Economy in the Countries of the Central European Free Trade Agreement (Visegrad Group)	Peter Pogany
95-06-D	After NAFTA: Western Hemisphere Trade Liberalization and Alternative Paths To Integration	Sandra A. Rivera
95-06-C	International Trade, Labor Standards & Labor Markets Conditions: An Evaluation of the Linkages	Mita Aggarwal
95-06-B	Economic Policies and Developments in the Countries Of the Central European Free-Trade Agreement (VISEGRAD Group)	Peter Pogany
95-06-A	China Briefing Paper	James Tsao
95-04-A	International Trade, Environmental Quality and Public Policy	Michael J. Ferrantino
95-03-A	Export Diversification and Structural Dynamics in the Growth Process: The Case of Chile	*Sheila Amin Gutierrez-de Pifíeres and Michael J. Ferrantino
1994		
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94-10-A	The Cash Recovery Method and Pharmaceutical Profitability	Christopher T. Taylor
94-08-A	Towards a Theory of the Biodiversity Treaty	Michael J. Ferrantino
94-07-A	Economic and Cultural Distance in International Trade: An Empirical Puzzle	*Dale Boisso and Michael Ferrantino
94-06-A	Estimating Tariff Equivalents of Nontariff Barriers	Linda A. Linkins and Hugh M. Arce

STATISTICAL TABLES

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Indexes of industrial production, by selected countries and by specified periods, Jan. 1994-May 1997.
(Total industrial production, 1991=100)

Country	1996								1997					
	1994	1995	1996	II	III	IV	Nov.	Dec.	I	Jan	Feb.	Mar.	Apr.	May
United States ¹	108.6	112.1	115.2	125.1	126.7	117.0	117.2	117.7	118.5	117.7	118.4	118.8	119.2	119.7
Japan	93.1	96.0	98.7	96.0	99.3	102.7	102.8	102.5	103.0	96.2	99.8	112.9	(2)	(2)
Canada ³	105.5	107.6	109.3	108.7	112.8	111.1	112.1	107.0	(2)	104.5	109.9	(2)	(2)	(2)
Germany	93.9	95.9	96.0	95.0	93.9	101.2	102.7	97.4	96.0	92.1	94.1	101.9	(2)	(2)
United Kingdom	103.3	105.9	107.6	104.4	101.3	113.1	113.7	110.1	110.8	109.9	107.2	115.3	(2)	(2)
France	97.5	99.0	99.7	100.2	91.4	104.2	103.2	100.5	(2)	105.2	101.1	(2)	(2)	(2)
Italy	102.2	107.8	104.8	111.6	90.9	106.7	113.2	97.3	(2)	99.2	113.5	(2)	(2)	(2)

¹ 1992=100

² Not available.

³ Real domestic product in industry at factor cost and 1986 prices.

Source: *Main Economic Indicators*, Organization for Economic Cooperation and Development, May 1997, *Federal Reserve Statistical Release*, June 17, 1997.

Consumer prices, by selected countries and by specified periods, Jan. 1994- April 1997
(Percentage change from same period of previous year)

Country	1996											1997				
	1994	1995	1996	II	III	IV	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	I	Jan.	Feb.
United States	2.6	2.8	3.0	2.9	2.9	3.2	2.8	3.0	2.9	3.0	3.0	3.3	3.3	2.9	3.0	3.0
Japan	0.7	-0.1	0.2	0.4	0.2	0.5	0.0	0.4	0.2	0.0	0.5	0.6	0.6	0.5	0.6	0.5
Canada	0.2	1.7	1.6	1.5	2.0	1.5	1.2	1.4	1.5	1.8	2.0	2.2	2.2	2.1	2.2	2.2
Germany	3.0	1.7	1.4	1.3	1.4	1.4	1.2	1.3	1.4	1.4	1.5	1.4	1.4	1.7	1.9	1.7
United Kingdom	2.5	3.4	2.4	2.4	2.2	2.6	2.1	2.2	2.1	2.1	2.7	2.7	2.5	2.7	2.8	2.7
France	1.7	1.7	2.0	2.4	1.8	1.7	2.3	2.3	1.6	1.6	1.8	1.6	1.7	1.5	1.8	1.6
Italy	1.0	5.2	3.9	4.5	3.4	2.9	3.9	3.6	3.3	3.4	3.1	2.8	2.7	2.6	2.8	2.6

Source: *Consumer Price Indexes, Nine Countries*, U.S. Department of Labor, June 1997.

Unemployment rates (civilian labor force basis)¹, by selected countries and by specified periods, Jan. 1994-April 1997

Country	1996											1997			
	1994	1995	1996	II	III	IV	Aug.	Sept.	Oct.	Nov.	Dec.	I	Jan.	Feb.	Mar.
United States	6.1	5.6	5.4	5.4	5.2	5.3	5.1	5.2	5.2	5.4	5.3	5.3	5.4	5.3	5.2
Japan	2.9	3.2	3.4	3.5	3.4	3.3	3.4	3.3	3.4	3.3	3.3	(2)	3.3	3.4	3.2
Canada	10.4	9.5	9.7	9.6	9.7	9.9	9.4	9.9	10.0	10.0	9.7	9.6	9.7	9.7	9.3
Germany	6.5	6.5	7.2	7.1	7.2	7.5	7.2	7.3	7.4	7.5	7.6	(2)	7.8	7.8	7.8
United Kingdom	9.6	8.8	8.3	8.4	8.2	8.0	8.1	8.0	7.8	7.4	7.8	7.5	7.7	7.4	7.3
France	12.3	12.3	12.4	12.3	12.5	12.7	12.3	12.8	12.8	12.9	12.8	12.8	(2)	12.8	12.8
Italy	11.4	12.0	12.1	12.5	11.9	12.0	(2)	(2)	(2)	(2)	(2)	(2)	12.3	12.3	(2)

¹ Seasonally adjusted; rates of foreign countries adjusted to be comparable with the U.S. rate.

² Not available.

³ Italian unemployment surveys are conducted only once a quarter, in the first month of the quarter.

Source: *Unemployment Rates in Nine Countries*, U.S. Department of Labor, June 1997.

Money-market interest rates,¹ by selected countries and by specified periods, Jan. 1994-June 1997
(Percentage, annual rates)

Country	1994	1995	1996	1996					1997							
				III	IV	Oct.	Nov.	Dec.	I	II	Jan.	Feb.	Mar.	Apr.	May	Jun.
United States	4.6	5.8	5.4	5.5	5.4	5.4	5.3	5.4	5.4		5.4	5.3	5.5	5.7	5.7	5.6
Japan	2.2	1.2	.5	0.6	0.5	0.5	0.5	0.5	(2)	(2)	0.5	0.5	0.5	0.5	(2)	(2)
Canada	5.5	7.1	4.4	4.3	3.2	3.5	3.0	3.1	(2)	(2)	3.1	3.1	3.2	3.4	(2)	(2)
Germany	5.2	4.4	3.2	3.2	3.0	3.0	3.0	3.1	(2)	(2)	3.0	3.0	3.1	3.1	(2)	(2)
United Kingdom	5.4	6.6	5.9	5.7	6.1	5.9	6.2	6.3	(2)	(2)	6.2	6.1	6.1	6.3	(2)	(2)
France	5.7	6.4	3.8	3.7	3.3	3.3	3.3	3.3	(2)	(2)	3.2	3.2	3.2	3.2	(2)	(2)
Italy	8.4	10.4	8.7	8.6	7.5	7.9	7.4	7.2	(2)	(2)	7.2	7.3	7.4	7.0	(2)	(2)

¹ 90-day certificate of deposit.

² Not available.

Source: Federal Reserve Statistical Release, June 16, 1997; Federal Reserve Bulletin, June 1997.

Effective exchange rate of the U.S. dollar, by specified periods, Jan. 1994-June 1997
(Percentage change from previous period)

Item	1994	1995	1996	1996					1997							
				III	IV	Oct.	Nov.	Dec.	I	II	Jan.	Feb.	Mar.	Apr.	May	Jun.
Unadjusted:																
Index ¹	98.5	92.9	97.5	97.4	98.2	98.2	97.3	99.0	103.2	104.6	100.9	103.9	104.9	106.2	104.1	103.4
Percentage change .	-1.6	-5.6	4.6	-.2	.8	.4	-.9	1.7	5.0	1.4	1.9	3.0	1.0	1.3	-2.1	-0.6
Adjusted:																
Index ¹	101.5	93.9	100.3	100.7	101.7	101.5	100.6	102.7	106.6	106.4	104.9	107.2	108.2	108.3	106.0	104.9
Percentage change	-2.7	-7.4	6.4	.4	1.0	.2	-.8	2.1	4.9	-0.2	2.2	2.3	1.0	0.1	-2.3	-1.0

¹ 1990 average=100.

Note.—The foreign-currency value of the U.S. dollar is a trade-weighted average in terms of the currencies of 18 other major nations. The inflation-adjusted measure shows the change in the dollar's value after adjusting for the inflation rates in the United States and in other nations; thus, a decline in this measure suggests an increase in U.S. price competitiveness.

Source: Morgan Guaranty Trust Co. of New York, July 1997.

Merchandise trade balances, by selected countries and by specified periods, Jan. 1994-April 1997
(In billions of U.S. dollars, exports less imports [f.o.b - c.i.f.], at an annual rate)

Country	1994	1995	1996	1996				1997					
				II	III	IV	Nov.	Dec.	I	Jan.	Feb.	Mar.	Apr.
United States ¹	-150.6	-159.6	-166.6	-161.1	-183.2	-161.7	-152.5	-183.8	-184.3	-210.6	-190.8	-151.4	-160.7
Japan	121.2	106.0	68.2	54.4	58.0	68.2	95.7	54.0	(2)	(2)	(2)	(2)	(2)
Canada ³	17.0	27.8	30.7	33.8	34.8	22.8	20.8	25.8	(2)	(2)	(2)	(2)	(2)
Germany	45.6	63.6	(2)	55.2	72.8	(2)	73.8	(2)	(2)	(2)	(2)	(2)	(2)
United Kingdom	-22.5	-22.4	(2)	-28.5	-18.9	-26.5	-27.4	-29.6	(2)	(2)	(2)	(2)	(2)
France ³	14.7	20.0	(2)	18.7	26.4	30.0	20.7	(2)	(2)	(2)	(2)	(2)	(2)
Italy	22.0	27.6	(2)	46.0	55.2	(2)	49.2	(2)	(2)	(2)	(2)	(2)	(2)

¹ Figures are adjusted to reflect change in U.S. Department of Commerce reporting of imports at customs value, seasonally adjusted, rather than c.i.f. value.

² Not available.

³ Imports are f.o.b.

Source: *Advance Report on U.S. Merchandise Trade*, U.S. Department of Commerce, June 19, 1997; *Main Economic Indicators*; Organization for Economic Cooperation and Development, March 1997.

U.S. trade balance, ¹ by major commodity categories and by specified periods, Jan. 1994-April 1997
(In billions of dollars)

Country	1994	1995	1996	1996				1997					
				II	III	IV	Nov.	Dec.	I	Jan.	Feb.	Mar.	Apr.
Commodity categories:													
Agriculture	19.0	25.6	26.7	5.6	5.1	7.7	3.1	2.3	5.7	2.1	2.0	1.6	1.4
Petroleum and selected product—(unadjusted)	-47.5	-48.8	-60.9	-15.6	-16.1	-16.4	-5.6	-5.9	-18.6	-6.5	-6.5	-5.6	-5.3
Manufactured goods	-155.7	-173.5	-175.9	-36.9	-52.5	-46.0	-14.9	-13.0	-37.1	-15.4	-12.1	-9.6	-12.1
Selected countries:													
Western Europe	-12.5	-10.6	-10.4	-1.9	-6.7	-5.1	-1.3	-2.0	-6	-1.3	.3	.3	-.4
Canada	-25.1	-18.1	-22.8	-6.5	-6.1	-5.4	-1.8	-2.3	-4.4	-1.6	-1.4	-1.3	-.9
Japan	-66.4	-59.1	-47.6	-10.3	-11.7	-13.4	-4.3	-4.2	-13.1	-4.2	-4.2	-4.6	-4.8
OPEC (unadjusted)	-13.8	-15.7	-19.8	-4.9	-5.6	-5.2	-1.4	-1.8	-5.5	-2.6	-1.6	-1.4	-1.6
Unit value of U.S. imports of petroleum and selected products (unadjusted)	\$14.22	\$15.83	\$16.96	\$16.76	\$16.97	\$21.49	\$21.44	\$21.65	\$20.37	\$21.99	\$20.21	\$18.72	\$17.17

¹ Exports, f.a.s. value, unadjusted. Imports, customs value, unadjusted.

Source: *Advance Report on U.S. Merchandise Trade*, U.S. Department of Commerce, June 19, 1997.

END